



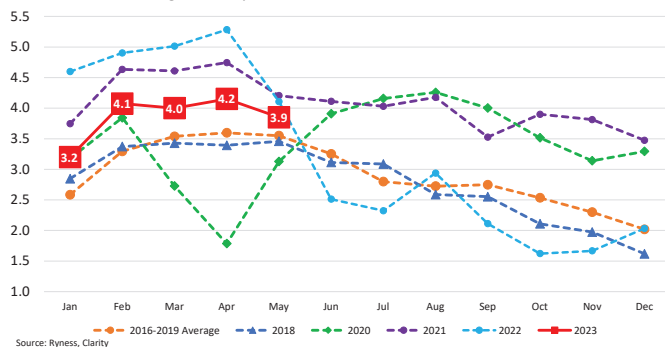
BIASC New Home Market Quarterly Report



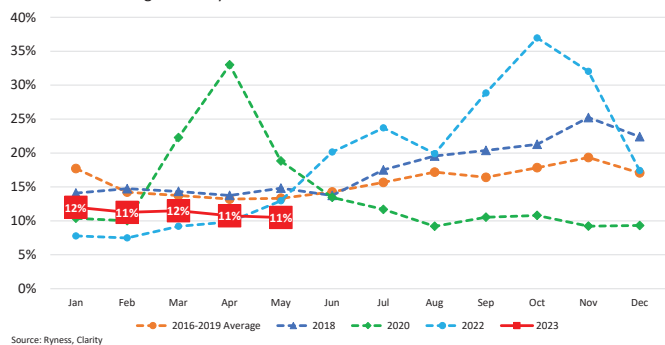
Southern CA New Home Market – Q2 Marks A Sustained Rebound

- New home sales remain robust.** Buyers have accepted the higher interest rate environment and have limited options in the resale market. New home sales in Southern CA have averaged 3.9/mo/project since January which is above the 2016 – 2019 average (3.3/mo/project). Strong sales are giving builders pricing power once again.
- Cancellations are low.** After spiking to over 30% in October and November of last year, cancellations have stabilized at below average levels (11 – 12%). A cancellation rate in the 10 – 15% range is considered typical historically. According to builders, most buyers are qualified at current interest rates and have limited options in the resale market.
- The number of new home projects are near record lows.** There are currently just 478 actively selling new home projects in southern California vs. 1,710 at the peak of the market in 2007. New supply is being curbed by a declining supply of land available for new home development, combined with rapid new home sales, and a lack of political will to approve new home communities. In addition, the average size of a typical subdivision has shrunk from about 120 homes a few decades ago to only about 75 today.
- Resale supply is very tight.** The majority of homeowners with mortgages are locked in at sub-4% rates, limiting resale listings. There are currently just 2.0 months of resale supply, similar to a year ago, but down from about 3.5 months in late-2022. We consider 3.0 – 4.0 months to be typical in a market with balanced demand and supply. Foreclosures are also near record lows, despite the sharp rise in rates, due in part to substantial homeowner equity. Prospective buyers are often not finding what they want in the resale market, pushing them to new construction.
- Interest rate buydowns are still common.** Although price-related incentives have largely subsided across the region, many builders are still buying rates down into the mid-5% range. This has been a successful strategy in getting motivated buyers to choose new homes over resale.

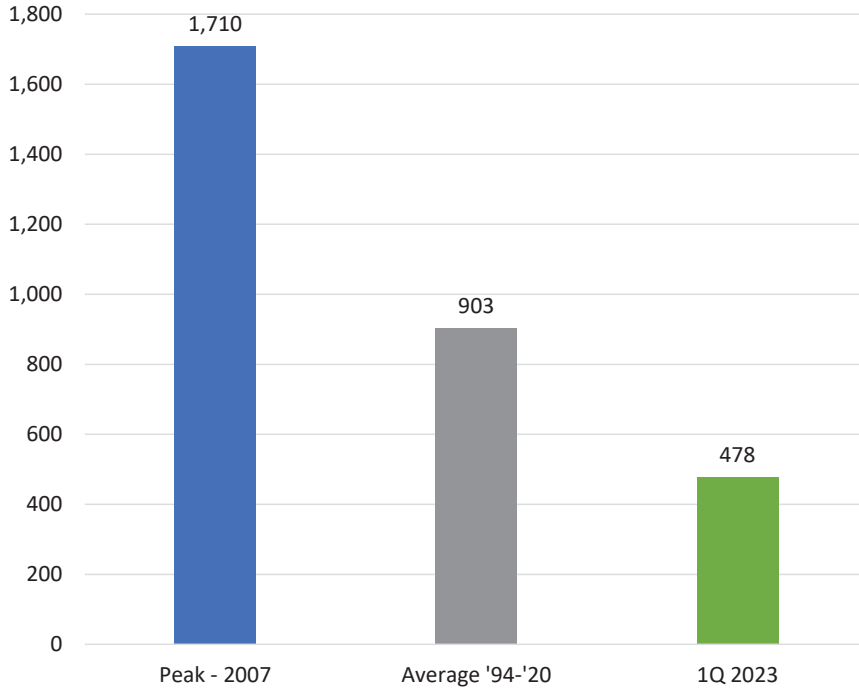
Average Monthly New Home Sales Rate - Southern California



Average Monthly New Home Cancellation Rate - Southern California



Active New Home Projects - So California



Source: Clarity



30-Year Fixed Mortgage Rate Average

